

# **Arkansas State Board of Public Accountancy**

## **Notice of Proposed Rules Public Hearing**

October 14, 2005

To Whom It May Concern:

Subject: Public Hearing Notice on Rulemaking

Pursuant to Arkansas Code Annotated § 25-15-201 et seq. notice is hereby given that the Arkansas State Board of Public Accountancy (Board) is considering proposed amendments to its rules. During the 2005 Legislative session, Act 54, which amended the Public Accountancy Act of 1975, was passed.

The Board is proposing changes to the Rules that will update information, clarify requirements, and make necessary revisions to concur with the changes to the Public Accountancy Act of 1975, as amended. The Board is specifically considering changes to Rule 12-Fees and to the following Board Rules: Rule 1, Rules 3-4, Rules 6-11, Rules 13-14, and Rule 16.

You may view or print the proposed rules from the Board's web site <http://www.arkansas.gov/asbpa>. If you are unable to access the web site, you may contact the Board's office for a copy of the proposed rules.

The Board has scheduled a public hearing at 8:30 A.M. on November 18, 2005 at the Board of Accountancy, Suite 450 located at 101 East Capitol Avenue in Little Rock. Written comments may be submitted to the Board prior to this date or oral comments can be made at the hearing pursuant to A.C.A. § 25-15-204. The Board will make final disposition of the rulemaking at its regularly scheduled meeting on that date.

## BOARD RULES

### **RULE 1                    DEFINITIONS**

#### **1.1                    ACT, BOARD, STATE, EXAMINATION, PRONOUNS**

Throughout these Rules, the "Public Accountancy Act of 1975, as amended," codified as A.C.A. §\_17-12-101 et seq., may be referred to as "the Act" and the Board of Public Accountancy as "the Board;" "this State" refers to the State of Arkansas; "examination" means the examination required for a certificate as a Certified Public Accountant prescribed by A.C.A. §\_17-12-301 et seq.; and masculine terms shall include the feminine and, when the context requires, shall include partnerships, limited liability companies and corporations.

#### **1.2                    CLIENT**

The person or entity which retains a licensee for the performance of professional services.

#### **1.3                    FINANCIAL STATEMENTS**

Financial statements are statements and footnotes related thereto that purport to show actual or anticipated financial position which relates to a point in time or changes in financial position which relate to a period of time, including statements which use a cash or other comprehensive basis of accounting. The term includes balance sheets, statements of income, statements of changes in comprehensive income, statements of retained earnings, statements of cash flows and statements of changes in owners' equity, but does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules.

#### **1.4                    FIRM**

See A.C.A. §\_17-12-103(a)(67)

#### **1.5                    GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

"Generally accepted accounting principles" shall be deemed and construed to mean accounting principles or standards generally accepted in the United States. For purposes of these rules and regulations, generally accepted accounting principles are considered to be defined by pronouncements issued by the Financial Accounting Standards Board and its predecessor entities and similar pronouncements issued by other entities having similar generally recognized authority.

#### **1.6                    GENERALLY ACCEPTED AUDITING STANDARDS**

"Generally accepted auditing standards" shall be deemed and construed to mean the generally accepted auditing standards adopted by the Board. The Board shall take into consideration interpretations of Generally Accepted Auditing Standards as issued by the American Institute of Certified Public Accountants and other pronouncements having similar generally recognized authority.

#### **1.7                    LICENSEE**

See A.C.A. §\_17-12-103(a)(89)

#### **1.8                    PRACTICE OF, OR PRACTICING PUBLIC ACCOUNTING**

See A.C.A. §\_17-12-103(a)(142)

#### **1.9                    PROFESSIONAL SERVICES**

See A.C.A. §\_17-12-103(a)(123)

#### **1.10                  PUBLIC COMMUNICATION**

A public communication is a communication made in identical form to multiple persons or to the world at large, as by television, radio, motion picture, newspaper, pamphlet, mass mailing, letterhead, business card, electronic transmission or directory.

**1.11**

**CERTIFICATE**

See A.C.A. §\_17-12-103(a)(5)

**1.12**

**PERMIT TO PRACTICE**

Permit to practice means a permit to practice public accountancy issued under prior provisions of the Act, or under corresponding provisions of the law of other states.

**1.13**

**COMMISSION**

An allowance or consideration paid upon completion of the transaction for recommending or referring a product or service to be supplied by another person.

**1.14**

**PEER REVIEW**

The process of reviewing the work product of a licensee by a qualified individual or firm, the purpose of which is to assure that professional services are performed consistent with applicable standards.

## Rule 3 EXAMINATIONS

### 3.1 DEFINITIONS

- (a) ~~An examination is defined as one of the regular examinations offered by the Board. The Board may make such use of all or any part of the Uniform Certified Public Accountants Examination and Advisory Grading Services as it deems appropriate. The Board may decide to use disclosed or non-disclosed examinations.~~
- (b) ~~A first time applicant is defined as an applicant who has never sat for the CPA examination as an Arkansas applicant.~~
- (c) ~~A re-exam applicant is defined as an applicant taking an examination after sitting as a first-time applicant who has not been granted credit for any subjects on the examinations or who has lost conditional status as described in Rule 3.6(d).~~
- (d) ~~A conditioned applicant is defined as an applicant taking an examination, after sitting as a first-time or re-exam applicant, who has been granted credit for some, but not all, subjects as described in Rule 3.6(d).~~

### 3.2 EXAMINATION SUBJECTS, TIME AND PLACE

- (a) ~~Examinations shall be held at least semi-annually each year in location(s) and on dates designated by the Board. Notice of the time and place of the examination shall be provided to each applicant with the application to sit for the examination.~~
- (b) ~~The examination shall include the following subjects: (1) Business Law & Professional Responsibilities (LPR) (2) Auditing (AUDIT) (3) Accounting & Reporting—Taxation, Managerial, and Governmental and Not-for-Profit Organizations (ARE) (4) Financial Accounting & Reporting (FARE).~~

### 3.3 EXAMINATION EDUCATIONAL REQUIREMENTS

- (a) ~~As used in these rules, "accreditation" refers to the process of quality control of the education process. There are two different levels of accreditation referred to in Rule 3.3 (b) below.~~

~~(1) A college or university will be considered accredited by one of the major regional accreditation associations if accredited by one of the six (6) accrediting agencies or its successor agency as follows:~~

- ~~(a) Middle States Association of Colleges and Secondary Schools;~~
- ~~(b) New England Association of Schools and Colleges;~~
- ~~(c) North Central Association of Colleges and Secondary Schools;~~
- ~~(d) Northwest Association of Schools and Colleges;~~
- ~~(e) Southern Association of Colleges and Schools;~~
- ~~(f) Western Association of Schools and Colleges.~~

~~Colleges and Universities accredited by these associations are listed in Accredited Institutions of Postsecondary Education published by the Council of Postsecondary Accreditation of the American Council on Education.~~

~~(2) As referenced in Rule 3.3 (B) (2), accreditation of an accounting program is granted by a national accreditation agency recognized by the Board such as AACSB INTERNATIONAL. The Association to Advance Collegiate Schools of Business. Such accreditation is in addition to accreditation of the business college or programs, and is granted to accounting departments or programs that have met a stringent set of standards addressing faculty credentials, student quality curricula, and physical facilities. Graduates who submit transcripts from accredited accounting programs are deemed to have met the Board's specific accounting and non-accounting course requirements.~~

- ~~(b) The requirements to sit as a first-time applicant are either (1) or (2) below:~~
- ~~(1)~~
- ~~(a) A total of 150 semester hours of college credits from an institution accredited by one of the major regional accreditation associations or other accrediting organization recognized by the Board as being comparable, including, at least, a Baccalaureate degree and a concentration in accounting, and including the courses listed below, provided, however, some portion of the hours of instruction constituting a course identified below may be taught as a portion of another subject matter course when the college has designed its course structure as a business process concept, or other similar strategy, to include multiple subjects required by this paragraph as part of a single course and that the course alone or combined with other courses contain the minimum number of hours of instruction in the required subject to equal a conventional three semester hour course, which must be completed no later than the same semester in which the exam is taken:~~
- ~~(b) Thirty (30) hours of accounting above Principles/Introductory, with a minimum grade of "C" in each course including Principles/Introductory with the following minimums:~~
- ~~(1) 9 hours in Financial Accounting above Prin./Intro;~~
- ~~(2) 3 hours in Cost Accounting/Managerial.~~
- ~~(3) 3 hours in Auditing.~~
- ~~(4) 3 hours in Federal Income Tax.~~
- ~~(5) 3 hours in Governmental/Not-for-Profit.~~
- ~~(6) 9 hours of Accounting Electives.~~
- ~~(c) A minimum of three (3) hours in each of the following non-accounting courses, with a minimum grade of "C" in each course.~~
- ~~(7) Business Law.~~
- ~~(8) Statistics.~~
- ~~(9) Computers/Data Processing.~~
- ~~(10) Business Finance.~~
- ~~(11) Micro-Economics.~~
- ~~(12) Macro-Economics.~~
- ~~(13) Marketing.~~
- ~~(14) Management.~~
- ~~(15) Oral Communications.~~
- ~~(16) Written Communications above Freshman English, such as Business Communications, Advanced Grammar, or Technical Writing.~~
- ~~(d) Standard conversions will be applied whenever a school is not on the semester basis.~~
- ~~(e) Applicants are encouraged to take elective hours towards the 150-hour requirement in academic courses that provide a breadth of knowledge. Suggested areas of study include: communication skills, legal and social environment of business, ethics, humanities, computer skills, etc.~~
- ~~(2) A Masters degree in Accounting from an institution that, as of the date of granting, said degree is accredited by the American Assembly of Collegiate Schools of Business (AACSB), or other accrediting organization recognized by the Board as being comparable.~~

~~[Note: Subsection 3.3 (a) (1) (2) Revised Effective 4/21/03, and Subsection 3.3 (b) (1) (a) Revised Effective 6/14/03]~~

### ~~3.4 APPLICATIONS~~

~~(a) Persons desiring to take the examination for qualification as a Certified Public Accountant shall apply on a form provided by the Board and obtainable from its office. Different application forms are provided for original examinations and for re-examinations.~~

~~(b) Applications for permission to sit as a first time applicant must be received in the Board office at least sixty (60) days prior to the scheduled examination.~~

~~(c) Items which constitute an original examination application are a completed application form, the designated application fee, and other items enumerated in the application form.~~

~~(d) First-time applicants who have completed their education requirements before making their original application for the examination must have their official transcript submitted and received in the Board office at least thirty (30) days prior to the examination. First-time applicants who have not completed their education requirements prior to making their original application for the examination must submit, at least thirty (30) days prior to the examination, their current transcripts and letters from recognized school officials stating that they may reasonably be expected to complete their educational requirements as stated in the Act. Applicants must complete the educational requirements as stated in the Act within forty-five (45) days after the first day of the examination. In addition, official transcripts indicating satisfactory completion of their requirements must be received in the Board office within thirty (30) days after completion of such requirements. All transcripts must be sent from the registrar(s) and certification letters must be sent from the school officials directly to the Board. Candidates with foreign educational backgrounds must arrange to have their credentials evaluated by a service that is a member of the National Association of Credential Evaluation Services (NACES).~~

~~(e) Application to sit as a re-exam or conditioned applicant must be made on the proper application form provided by the Board. The properly completed application form and the designated application fee must be received in the Board office at least sixty (60) days prior to the scheduled examination.~~

~~(f) It is the responsibility of the applicant to make timely delivery of the appropriate application form and designated fee. In no instance need applications be accepted by the Board if the instructions and deadlines set forth in Paragraph 3.4(a) through 3.4(e) have not been met.~~

~~(g) All applications must be either officially accepted or rejected by the Board. The Board reserves the right to withdraw its approval by issuing notice thereof in writing or by telephone or telegraph, not less than twenty-four (24) hours prior to the commencement of the scheduled examination.~~

~~[Note: Subsection 3.4 (d) Revised effective 4/21/03]~~

### ~~3.5 EXAMINATION PROCEDURES~~

~~(a) Each applicant shall be furnished a numbered identification card upon which he shall sign his name and address, and deliver to the examiner in charge. Answers to examination questions, identified by the proper question number, must be submitted by the applicant on stationery or forms furnished by the Board. The applicant shall identify his answers by noting such number on each answer sheet and in no other manner. Reference by an applicant during the examination to books or other material, exchange of information with other persons, or the unauthorized disclosure of examination material shall be considered misconduct sufficient to bar the~~

applicant from further participation in that particular examination subject and to cause cancellation of all other papers submitted covering other subjects of that scheduled examination. Such misconduct will also lead to suspension of the right to sit for subsequent examinations for such period of time as determined by the Board.

### **3.6 ~~NUMBER OF SITTINGS, PASSING GRADE AND GRANTING OF CREDIT, EFFECTIVE DATES, RELEASE OF GRADES AND COMPLETION OF EXAMINATION~~**

(a) ~~At any sitting, the applicant must sit for all parts for which he has not yet received a passing grade.~~

(b) ~~A grade of at least 75 is hereby prescribed as a passing grade for each subject. A grade of 50 is required on each part of the examination not passed. Applicants failing to achieve the minimum grade(s) will not be permitted to sit for any subsequent examinations without submitting proof acceptable to the Board of additional preparation for the parts on which the 50 minimum was not achieved. The additional preparation must be in the same subject(s) as the part(s) on which the 50 minimum was not achieved.~~

(c) ~~A first-time applicant who does not become a conditioned applicant shall be permitted to sit for additional examinations as a re-exam applicant provided the applicant continues to meet all examination requirements specified in the Act and these rules.~~

(d) ~~A first-time applicant or a re-exam applicant who becomes a conditioned applicant shall be permitted to sit for the next six (6) consecutive examinations as a conditioned applicant.~~

(1) ~~To obtain a conditioned status, an applicant must earn a grade of 75 or more on two parts of the examination with at least 50 on each part of the exam not passed. However, the minimum grade of 50 on failed parts does not apply if three of the four parts are passed in one sitting.~~

(2) ~~To add to conditioned status, the applicant must earn a grade of 75 or more in at least one part, and a grade of at least 50 on a part not passed.~~

(3) ~~Applicants who have unexpired conditions going into the first CPA exam administered in 1994 will be given credit under the new exam format as follows:~~

(a) ~~Business Law: Business Law & Professional Responsibilities (LPR)~~

(b) ~~Auditing: Auditing (AUDIT)~~

(c) ~~Practice: Accounting & Reporting—Taxation, Managerial, and Governmental and Not-for-Profit Organizations (ARE)~~

(d) ~~Theory: Financial Accounting & Reporting (FARE)~~

(e) ~~In the Board's discretion for good cause shown, the Board may grant a condition to an applicant who passed one or more parts of the exam, but fails to sit for all parts of the exam due to circumstances beyond the applicant's control, provided that the applicant meets the other requirements of this rule. Any applications for such a waiver must be made in writing and received in the Board office at least sixty (60) days prior to the next exam given by the Board.~~

(f) ~~Once an applicant achieves a re-exam or conditioned status in Arkansas, the applicant is eligible to sit in Arkansas even though the applicant is no longer residing in Arkansas.~~

(g) ~~The Board may permit an applicant of this State to sit for the~~

examination under the supervision of another state Board as follows:

- (1) Applicants in military service;
- (2) Applicants on temporary employment assignment out of the State of Arkansas;
- (3) Applicants attending as a full-time student at a college or university outside of Arkansas;
- (4) Applicants who demonstrate other good cause acceptable to the Board.

— Any such request must be received in the Board office at least sixty (60) days prior to the examination date.

(h) Each applicant who has furnished the Board with all documentation for an original examination application shall receive from the Board, in writing, the grades received on each subject of the examination. The Board shall communicate the grades to the applicant on the date recommended as the national release date.

(i) An applicant shall be deemed to have passed the CPA examination when the applicant has been granted credit for all four subjects passed in accordance with the Act and these rules.

(j) It is the policy of the Board not to regrade papers.

(k) Applicants' answers to the examination questions are the property of the Board. They are retained by the Board or its agent for ninety days after the national release date of grades and then destroyed.

— (l) The Board will accept only those applicants of other jurisdictions to sit for the examination under the supervision of this Board as follows:

- (1) Applicants in military service;
- (2) Applicants on temporary employment assignment in Arkansas;
- (3) Applicants attending as a full-time student at a college or university in Arkansas;
- (4) Applicants who demonstrate other good cause acceptable to the Board.

— Any such request must be received in writing in the Board office at least sixty (60) days prior to the examination date.

### **3.7 — EXAMINATION CREDITS FROM OTHER STATES**

The Board will accept credit on the Uniform Certified Public Accountant Examination earned by an applicant of another state provided the applicant meets the legal requirements of this state for admission to the examination and that the credits which were earned would have been earned had the rules of Section 3.6 above been in effect.

### **3.8 — FEES**

The fees to sit for the examination are enumerated in Rule 12.

(a) If an applicant's application is denied, the Board will refund all of the fees except the application fee.

(b) A refund of examination fees, except the application fee, will be made if an applicant is unable to sit for an examination, provided the Board is notified in writing and the written notice is received in the Board office at least thirty (30) days prior to such examination. Requests for a refund received within the thirty (30) day period preceding an examination will be granted only in emergency situations.



~~(c) All fees for examinations are payable only by cashier's checks or money orders.~~

### ~~3.9 NONDISCLOSED EXAMINATION~~

~~A non-disclosed examination is one in which the security restrictions before and during the examination continue afterwards, since many of the questions will be used again in subsequent examinations. Additional security and prevention measures are required.~~

~~(a) As a condition precedent to being eligible to take a non-disclosed examination, each applicant shall execute a statement required by the owners of the non-disclosed exam or deemed appropriate by the Board. Said statement may include, without limitation, the following:~~

- ~~(1) The applicant shall not disclose directly or indirectly any information regarding the questions or content of the exam, acquired from taking the exam;~~
- ~~(2) The applicant will not remove or attempt to remove any exam materials from the examination site; and~~
- ~~(3) Failure to comply with the statement may result in the invalidation of grades, disqualification from future examinations and possible civil and criminal penalties.~~

~~(b) As a condition precedent to being allowed access to the non-disclosed exam materials and the participation in the administration of the non-disclosed exam each person shall execute a statement required by the owners of the non-disclosed exam or deemed appropriate by the Board. This requirement applies to the board members, employees, agents, proctors, etc. Said statement may include, without limitation, the following:~~

- ~~(1) The person will not read or permit anyone else to read examination questions unless authorized to do so;~~
- ~~(2) The person will not reveal the nature or content of any exam question;~~
- ~~(3) The person will report to the Board any solicitations or disclosures of restricted exam information;~~
- ~~(4) The person will not participate in any capacity in a CPA Examination coaching or review course while having such a relationship with the Board and for one year thereafter, without first securing the Board's permission;~~
- ~~(5) The person consents to the granting of injunctive relief without proof of actual damages in favor of the Board or the exam owner for a breach of the agreement; and~~
- ~~(6) The person will not engage in any activity or enter into any relationship that might involve or appear to involve a conflict of interest with administering the examination for the Board.~~

***The current Board Rule 3 (Examinations), as cited in paragraphs 3.1 through 3.9, will remain in effect until implementation of the computer-based examination. Upon the implementation of the computer-based examination, the current Board Rule 3 will be replaced by the rules which follow below (paragraphs 3.11 through 3.20).***

### **3.41 SEMESTER HOUR; ACCREDITED COLLEGES, UNIVERSITIES, SCHOOLS AND PROGRAMS; CREDIT FOR COURSES:**

(a) As used in these Rules, a "semester hour" means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds.

(b) As used in these Rules, "accreditation" refers to the process of quality control of the education process. There are three different levels of accreditation referred to in these Rules and the

degree to which the Board relies on accreditation differs according to the level at which the degree-granting institution is accredited. The three levels of accreditation are:

31. ~~Level three~~1 accreditation (~~the accounting accreditation program or department~~) is granted to an four-year, degree-granting college or university and its accounting program or department that have both business and accounting accreditation awarded ~~has been accredited by a national accreditation agency that is~~ recognized by the Board, such as the AACSB INTERNATIONAL ~~.-The Association to Advance Collegiate Schools of Business.~~ Accounting programs or departments accredited in this manner have met standards substantially higher and much more specific than those required for ~~level~~Level 2 ~~one or Level 3~~ two accreditation. For ~~level~~Level 1 ~~three~~ accreditation, the accounting program or department must meet a stringent set of standards that addresses faculty credentials, student quality, physical facilities, and curricula and continuous improvement. ~~Graduates who submit transcripts from accredited accounting programs may be deemed to have met the Board's specific accounting and business course requirements.~~

2. ~~Level 2~~two accreditation (~~the business accreditation~~school) is granted to a four-year degree-granting college or university business school or college of business that has been business accreditation awarded ~~accredited by a national accreditation agency that is~~ recognized by the Board such as the AACSB INTERNATIONAL – The Association to Advance Collegiate Schools of Business. Business accreditation awarded in this manner is based on following a specific and comprehensive examination of the institution's strategic management, participants, and assurance of learning processes ~~review of their faculty, resources, and curricula.~~ ~~In evaluating a candidate's credentials, the Board may choose to rely on this accreditation as evidence that the institution's business school has met minimum overall standards of quality for such schools.~~

43. ~~Level 3~~one accreditation (regional accreditation of the educational institution) is granted to a four-year degree-granting college or university that which is accredited by one or more recognized regional accrediting agencies (including their predecessor or successor agencies). In Level 3 accreditation, the institution is accredited, but neither the business school or program or its accounting program are separately accredited. The Board recognizes the following A college or university will be considered accredited by one of the major regional accreditation associations if accredited by one of the six (6) regional accrediting agencies, or its successor agency as follows:

Middle States Association of Colleges and Secondary Schools;

New England Association of Schools and Colleges Commission on Institutions of Higher Education;

North Central Association of Colleges and Secondary Schools The Higher Learning Commission;

Northwest ~~Association of Schools and~~ Commission on Colleges and Universities;

Southern Association of Colleges and Schools Commission on Colleges; and the

Western Association of Schools and Colleges Accrediting Commission for Senior Colleges and Universities.

Colleges and Universities accredited by these associations are listed in Accredited Institutions of Postsecondary Education published by the Council of Postsecondary Accreditation of the American Council on Education.

(c) A candidate is considered as graduating from an accredited educational institution if at the time the educational institution grants the applicant's degree, it is accredited at the appropriate level as outlined in these Rules.

(d) If an educational institution was not accredited at the time an applicant's degree was received but is so accredited at the time the application is filed with the Board, the institution will be deemed to be accredited for the purpose of subsection (c), provided that it—

- (1) the educational institution certifies that the applicant's total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and
- (2) the educational institution furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the pre-accrediting courses used to qualify the applicant as an accounting major are substantially equivalent to post-accrediting courses, and
- (3) the applicant has met the educational requirements outlined in Section 3.2.

(e) If an applicant's degree was received at an accredited educational institution pursuant to subsection (c) or (d), but the educational program which was used to qualify the applicant as an accounting major included courses taken at non-accredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which applicant's degree was received, provided the accredited institution either —

- (1) has accepted such courses by including them in its official transcript; or
- (2) has certified to the Board that it will accept such courses for credit toward graduation.

(f) A graduate of a four-year degree-granting college or university not accredited at the time applicant's degree was received or at the time the application was filed will be deemed to be a graduate of an accredited educational institution if —

- (1) a credentials evaluation service that is a member of the National Association of Credential Evaluation Services or one approved by the Board certifies that the applicant's degree is equivalent to a degree from an accredited educational institution defined in subsection (b)(4); or
- (2) (A) an accredited educational institution as defined by subsection (b)(4) accepts applicant's non-accredited baccalaureate degree for admission to a graduate business degree program;  
(B) the applicant satisfactorily completes at least fifteen semester hours, or the equivalent, in post-baccalaureate education at the accredited institution, of which at least nine semester hours, or the equivalent, shall be in accounting; and  
(C) the accredited educational institution certifies that the applicant is in good standing for the continuation in the graduate program, or has maintained a grade point average in these courses that is necessary for graduation.

(g) The advanced subjects completed to qualify under subsection (f)(2) may not be used to satisfy the requirements of section (h).

(h) The accounting and business concentration or equivalent shall consist of the semester hours specified in Rule 3.12 below. ~~No more than 6 semester hours will be recognized for internships or life experience.~~

### 3.42 EDUCATION REQUIREMENT:

(a) Prior to January 2008, An applicant will be deemed to have met the education requirement if the applicant has met any one of the following four conditions:

(i) Earned a graduate degree with a concentration in accounting from an accounting program or department that is accredited (Level 1 three accreditation) by an accrediting agency recognized by the Board.

(ii) Earned a graduate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the Board and completed 30 semester hours in accounting at the undergraduate (with a minimum grade of "C" in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting.

(iii) Earned at least 150 semester hours including a baccalaureate degree from a business school or college of business that is accredited (level two accreditation) by an accrediting agency recognized by the Board and completed 30 semester hours in accounting at the undergraduate (with a minimum grade of "C" in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting.

(iv) Earned at least 150 semester hours including a baccalaureate or higher degree from an accredited educational institution (Level 3 one accreditation) including:

(1) at least 30 semester hours of accounting at the undergraduate (with a minimum grade of "C" in each course) or graduate level, including coverage of, but not necessarily separate courses in, the subjects of financial accounting, auditing, taxation, management accounting, and governmental/not-for-profit accounting; and

(2) at least 24 semester hours in business courses (other than accounting), with a minimum grade of "C" in each course, at the undergraduate or graduate level.

(3) no more than six semester hours will be recognized for internships.

(b) To meet the education requirement in paragraph (a) of this section, a candidate shall complete all applicable semester hours (including correspondence, distance learning or other courses in which students are not expected to attend classes in person) no later than the end of the school term of the institution offering the course(s) in which the candidate is enrolled, and during which the candidate first sits for and receives official credit for any score(s) on the Certified Public Accountant Examination. For purposes of this paragraph, school term means the semester, quarter, trimester or other term of the institution offering courses for students who are expected to attend class in person. Regardless of the course delivery mechanism (classroom, correspondence, distance learning, or other courses in which the student is not expected to attend class in person), an official transcript containing the grade for the course(s) completed must be received in the Board office within the time period set forth in Rule 3.13(b). Effective for applicants who first sit for the examination on or after January 1, 2008, an applicant will be deemed to have met the education requirement if the applicant has met any one of the following four conditions, including the rules in sections (c) – (i) below:

(1) Earned a graduate degree with a concentration in accounting from an accounting program or department that meets the criteria for Level 1 accreditation, defined in Section 3.1(b) as accounting accreditation. Applicants in this category are deemed to have satisfied both the business and accounting education requirements for the examination.

(2) Earned a graduate degree with at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(c) from a college or university that meets the criteria for Level 2 accreditation, defined in Section 3.1(b) as business accreditation. Applicants in this category are deemed to have satisfied the business education requirements for the examination.

(3) Earned an undergraduate degree, including 150 hours with at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(c), from a college or university that meets the criteria for Level 1 accreditation or Level 2 accreditation, defined in Section 3.1(b) as accounting and business accreditation respectively. Applicants in this category are deemed to have satisfied the business education requirements for the examination.

(4) Earned a graduate or an undergraduate degree either of which, includes 150 hours with at least 30 hours in business as listed in Section 3.2(e) and at least 30 upper-level or 20 graduate hours in accounting (or a combination thereof) as listed in Section 3.2(c), from a college or university that meets the criteria for Level 3 accreditation defined in Section 3.1(b) as regional accreditation. Applicants in this category must meet the accounting education requirements defined in Section 3.2(c) and the business education requirements defined in Section 3.2(e).

(c) The accounting component of the applicant's educational program must include at least 30 semester credit hours (SCH) of undergraduate accounting courses above the principles level or 20 SCH of graduate-level accounting courses, or a combination thereof. The accounting component must include coverage of financial accounting, management accounting, governmental and not-for-profit accounting, federal taxation, auditing and attestation, and accounting information systems. The applicant must earn a grade of "C" or better in each course included in the accounting component.

(d) The Board recognizes the essential need to include coverage of ethics and written communication in the accounting component and, therefore, encourages institutions to integrate coverage of both topics appropriately in the accounting component.

(e) The business component of the applicant's educational program must include at least 30 SCH of undergraduate courses in business, other than accounting, or 20 SCH of graduate business courses other than accounting (or a combination thereof). The applicant must earn a grade of "C" or better in each course included in the business component.

(f) The Board recognizes the essential need to include coverage of ethics and written communication in the business component and, therefore, encourages institutions to integrate coverage of both topics appropriately in the business component.

(g) Content areas specified in the accounting component may be covered in stand alone courses at some institutions or may be integrated or embedded within related courses at other institutions. Institutions that use an integrated approach that covers multiple subjects will be responsible for providing the Board with documentation to establish the courses within which each content area is covered.

(h) Internship credit: The accounting component may include a maximum of 3 SCH earned for an accounting internship. Internship credit may not be used to fulfill the subject matter requirements listed in 3.2(c). The business component may include a maximum of 3 SCH earned for a business internship, other than in accounting.

(i) Independent study: The accounting component may include a maximum of 3 SCH earned for an independent study. When appropriately documented by the institution, these hours may be used to fulfill part of the subject matter requirements listed in 3.2(c).

### **3.13 APPLICATIONS FOR EXAMINATION.**

(a) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board and received by the Board on or before a date specified by the Board in the application form. See Rule 3.8

(b) An application will not be considered filed until the applicable application-fees and examination-fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board, and specified on the application form, official transcripts, proof the educational requirement has been satisfied, and proof that the Candidate has satisfied or expects to satisfy the education requirement in the current school term. An applicant who has not completed the education requirement in paragraph 3.12 prior to making her/his original application for the examination (provisional candidate) must include both a current transcript and a certification form from a recognized school official stating that the candidate may reasonably be expected to complete the educational requirement as stated in and within the time permitted by Rule 3.12(b) received the applicable degree, or certification from the school on a form prescribed by the Board that the degree has, in fact, been earned, but will be conferred at a later date. In addition, provisional candidates shall cause official transcripts documenting satisfactory completion of their educational requirement to be received in the Board office within thirty (30) days after completion of such requirement. All transcripts and certification letters must be sent from the appropriate school officials directly to the Board. In the case where the degree is to be conferred at a later date, the Applicant shall not be credited with any score(s) until the official transcript showing that the degree has been conferred is received by the Board. All transcripts and verification of receipt of degree must be sent from the appropriate school officials directly to the Board. Should a provisional candidate fail to complete the educational requirement as provided in or within the time frame permitted by Rule 3.12 or fail to cause the post-examination transcript described in this paragraph to be received by the Board within the time periods provided in these rules, the provisional candidate shall not receive official credit for her/his score(s) on the examination.

(c) The A-candidate who fails to appear for the examination, fails to complete their educational requirement no later than the end of the school term of the institution offering the course as cited in paragraph 3.12(b), or fails to must cause official transcripts documenting the degree conferred satisfactory completion of their educational requirement to be received by the Board office within 30 days after the degree is conferred, after completion of such requirement shall forfeit all fees charged for both the application and the examination.

(d) The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.

### **3.14 TIME AND PLACE OF EXAMINATION.**

A Notice to Schedule (NTS) will be sent to Eligible Candidates shall be notified of the time and place of the examination or shall independently contact the Board or a via the address indicated on the application form. The candidate will have six months from the date the NTS is issued to schedule and take the approved examination sections. Utilizing the NTS, candidates are required to contact the test center operator-delivery provider identified by the Board to schedule the time and place for the examination at an

approved test site. If a candidate requires rescheduling, the candidate must contact the test delivery provider. Scheduling reexaminations must be made in accordance with Rule 3.47(b) below.

### **3.45 EXAMINATION CONTENT-**

The examination required by A.C.A. § 17-12-301 shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

### **3.46 DETERMINING AND REPORTING EXAMINATION GRADES-**

A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board. Upon receipt of grades reported by the examination provider, the Board will review and may adopt the examination grades and will report the adopted grades to the qualified Candidate (one who has met all requirements of Rules 3.42 and 3.43 above).

### **3.47 RETAKE AND GRANTING OF CREDIT REQUIREMENTS-**

(a) A Candidate shall be required to pass all Test Sections of the Certified Public Accountant Examination in order to qualify for a certificate. A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

(1) Candidates must pass all four Test Sections of the Uniform CPA Examination within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

(2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.

(3) In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.

(b) Candidates having earned conditional credits on the paper-and-pencil examination, as of the launch date of the computer-based Uniform CPA Examination, will retain conditional credits for the corresponding Test Sections of the computer-based CPA examination as follows:

<b>Paper-and-Pencil Examination</b>	<b>Computer-Based Examination</b>
Auditing	Auditing and Attestation

Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting
Accounting and Reporting (ARE)	Regulation
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts

(1) Candidates who have attained conditional status as of the launch date of the computer-based Uniform CPA Examination will be allowed a transition period to complete any remaining Test Sections of the CPA examination. The transition is the maximum number of opportunities that Candidates who have conditioned under the paper-and-pencil examination have remaining, at the launch of the computer-based CPA examination, to complete all remaining Test Sections, or the number of remaining opportunities under the paper-and-pencil examination, multiplied by six months, whichever is first exhausted.

(2) If a previously conditioned Candidate does not pass all remaining Test Sections during the transition period, conditional credits earned under the paper-and-pencil examination will expire and the Candidate will lose credit for the Test Sections earned under the paper-and-pencil examination. However, any Test Section(s) passed during the transition period is subject to the conditioning provisions of the computer-based examination as indicated in the aforementioned conditioning recommendation, except that a previously conditioned Candidate will not lose conditional credit for a Test Section of the computer-based examination that is passed during the transition period, even though more than eighteen months may have elapsed from the date the Test Section is passed, until the end of the transition period.

(c) A Candidate shall retain credit for any and all Test Sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the Candidate had taken the examination in this State.

(d) The Board may in particular cases extend the term of conditional credit validity notwithstanding the requirements of subsections (a), (b), (c) and (d), upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

(e) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time official credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives official notice of the passing grade.

### 3.48 CANDIDATE TESTING FEE-

(a) The Candidate shall, for each applicable Test Section ~~scheduled by the Candidate~~ pay to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable the application and section fees established by the State Board. The application and section fees are nonrefundable and nontransferable. The fees for AICPA, NASBA, and the Test Delivery Provider are collected by the Board and held for transfer to the entities. Those fees are nontransferable, but may be partially refunded if extreme hardship precludes the applicant from scheduling or taking the exam. Extreme hardship is defined as medical emergency of candidate or candidate's immediate family, or death in immediate family. Any other extreme hardship situation will be reviewed on a case-by-case basis by the Board. Documentation of such circumstances must be submitted along with written request as soon as possible, but no later than 30 days from the date the candidate was scheduled for the applicable section(s) or 30 days from the



expiration of the NTS whichever occurs first. The fees to sit for the examination are enumerated in Rule 12.

(b) A first-time applicant is defined as an applicant who has never sat for any section of the CPA examination as an Arkansas applicant, or has never received official scores as an Arkansas candidate.

(c) A re-exam applicant is defined as an applicant taking any section of the CPA examination after sitting as a first-time Arkansas applicant.

### **3.19 CHEATING:**

(a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.

(b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:

- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
- (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
- (3) Communication with others inside or outside the test site while the examination is in progress;
- (4) Substitution of another person to sit in the test site in the stead of a Candidate;
- (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress.
- (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so.
- (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.

(c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.

(d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state's Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:

- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
- (2) Whether the Candidate shall be barred from taking the examination and if so, for what period of time.

(e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may, depending on the circumstances:

- (1) Admonish the Candidate;
- (2) Seat the Candidate in a segregated location for the rest of the examination;
- (3) Keep a record of the Candidate's seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
- (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.

(f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board's findings and actions taken.

### **3.120 SECURITY AND IRREGULARITIES:**

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

## **Rule 4    RECIPROCITY**

- 4.1** \_\_\_\_\_ See A.C.A. §§ 17-12-3083 and 17-12-308 for the qualifications for issuance of a reciprocal certificate.
- 4.2** \_\_\_\_\_ The fee for a reciprocal certificate is set forth in Rule 12.
- 4.3** \_\_\_\_\_ An application for a reciprocal certificate is obtainable from the Board's office. See  
\_\_\_\_\_ Rule 10

**Rule 6            NOTIFICATION OF PRACTICE UNDER SUBSTANTIAL  
EQUIVALENCY**

- 6.1            (a) A person holding a current certificate, license, or other authority in good standing to practice as a CPA, issued by another state, shall file notice with the Board on a form approved by the Board. The fee for this filing is found in Rule 12.
- (b) Upon determining that the CPA qualifies to practice on the basis of substantial equivalency pursuant to A.C.A. § 17-12-311, the Board shall approve the CPA's substantial equivalence filing and provide written documentation to the CPA. The CPA shall not practice public accounting in Arkansas until the Board's approval of his qualifications.
- (c) The filing of substantial equivalency shall expire December 31 of the year for which the filing is approved by the Board. The filing can be renewed by the CPA filing the form approved by the Board for notice to practice under A.C.A. § 17-12-311 and the fee provided in Rule 12.
- 6.2            If the CPA does not qualify under the substantial equivalency standards in A.C.A. § 17-12-311, the Board shall issue a reciprocal certificate to the holder of a certificate, license or other authority by another state provided that the CPA qualifies pursuant to A.C.A. § 17-12-308.

## **Rule 7 OWNERSHIP OF FIRMS-**

### **7.1 DEFINITIONS**

(a) For purposes of these rules, "actively participate" means the providing of personal services in the business entity licensed in Arkansas to practice public accounting, in the nature of management, performance of services for clients, or similar activities. Individuals and entities whose primary source of income from the business entity is provided as a result of passive investment will not be considered as actively participating in the business entity.

(b) For purposes of these rules, an "owner" is defined as a person who actively participates in a business entity licensed in Arkansas to practice public accounting, and who (1) has an interest in profits and losses of such business entity, or (2) owns all, or any portion, of the equity capital of such business entity, or (3) has a vote with respect to matters of such business entity.

(c) For purposes of these rules, "profits and losses" are defined as the net taxable income or loss, determined prior to payment of any form of compensation to owners, of a business entity licensed in Arkansas to practice public accounting.

(d) For purposes of these rules, "equity capital" is defined as (a) capital stock, capital accounts, capital contributions, or undistributed earnings of a business entity licensed in Arkansas to practice public accounting; and (b) loans and advances to a business entity licensed in Arkansas to practice public accounting, made or held by its owners. "Equity capital" does not include an interest in bonuses, profit sharing plans or defined benefit plans or loans to a business entity licensed in Arkansas to practice public accounting from banks, financial institutions or other third parties that do not actively participate in such business entity.

(e) For purposes of these rules, a "business entity" is defined as a proprietorship, partnership, corporation, limited liability company or any other permissible form of practice which is licensed in Arkansas to practice public accounting.

(f)(1) "Good standing" as used in A.C.A. §§ 17-12-401, 17-12-402, ~~17-12- 603~~ (d), and Rule ~~¶~~7.4 (a) is defined as a CPA or PA who holds a license for the current year issued by the applicable Board.

(2) "Good standing" as used in § 17-12-504(a) and (b) means a CPA, public accountant, or a firm whose license, registration, or inactive license has not lapsed pursuant to Ark. Code Ann. § 17-12-504(f)(2). ~~is current or last expired within one year immediately preceding the date of the Board's receipt of the application to renew.~~

**7.2 Corporations.** Any corporation granted a license under the Act shall be subject to the Rules of Professional Conduct. Any shareholder who ceases to be eligible to be a shareholder shall be required to dispose of all of his or her shares within a reasonable period to a person qualified to be a shareholder or to the corporation.

**7.3 Partnerships, Corporations, Limited Liability Companies and Other Permissible Forms of Practice; General Requirements; Ownership.**

(a) A person who is not a certified public accountant or public accountant in this or some other state or jurisdiction but who actively participates within this state in the business conducted in Arkansas by a business entity licensed in Arkansas to practice public accounting may be an owner, director, officer, limited liability company member, or manager in any such business entity, under the following conditions:

(1) Such person shall not hold himself or herself out as a certified public accountant

or public accountant.

(2) The name of such person shall be provided to the Board by a business entity in connection with the granting or renewal of a license in Arkansas to such business entity.

(3) Such person shall not have ultimate responsibility for the performance of audits, reviews or compilations of financial statements or other forms of attestation related to financial information.

(b) Limitations; Equity Ownership. Persons who are not certified public accountants or public accountants in this or any other state or jurisdiction but who are owners of a business entity licensed in Arkansas to practice public accounting, shall not (a) hold, in the aggregate, more than forty-nine percent (49%) of such business entity's equity capital or voting rights, or (b) receive, in the aggregate, more than forty-nine percent (49%) of such business entity's profits or losses.

(c) Other forms of practice. These rules shall be applied to individuals and to any business entity licensed in Arkansas to practice public accounting in a manner consistent with carrying out the intent of these rules.

(d) Eligibility; Disqualification; Owners. With respect to owners who are not licensed in this state or any other state or jurisdiction as certified public accountants or public accountants, if at any time the ~~board~~Board determines that any such owner no longer is eligible to be an owner by virtue of not being in compliance with the criteria set forth in the Public Accountancy Act and rules, such owner and the business entity in which ownership exists shall be notified that if a ~~board~~Board hearing is not requested within thirty (30) days of the date of mailing notification of such determination, an order will then be entered that such owner must divest himself or herself of ownership in the business entity within sixty (60) days of entry of the order.

(e) Corporations; Other Requirements. The principal executive officer of a corporation licensed in Arkansas to practice public accounting shall be a shareholder and a director who is a licensed certified public accountant or public accountant. Directors and officers who are not licensees shall not exercise any authority whatsoever over professional matters relating to the practice of public accountancy.

#### **7.4 APPLICATION PROCEDURES; FORMS-**

(a) Each applicant for registration as any type of licensed business entity shall register with the Board of Public Accountancy prior to performing public accounting work in the state of Arkansas. Such registration form must include an affidavit signed by a general partner, shareholder, or member of such business entity who is a certified public accountant or public accountant of Arkansas in good standing, attesting to the accuracy of the information in the application materials.

(b) After the Board has accepted the initial registration application and has issued a license to practice, the registered business entity may practice in the state of Arkansas under the title which appears on the license to practice as the name of the business entity.

(c) Arkansas registered business entities shall renew their registration on an annual basis, on forms provided by the Board. Failure or refusal to provide complete and accurate responses to all questions on the registration renewal forms by the deadline noted on such forms may be grounds for refusal to renew such registration.

(d) Arkansas registered business entities shall include on their initial registration with the ~~board~~Board, and subsequent renewal of such registration, a complete listing of the names and the state of residency of all owners and the percentage of ownership and voting rights of each owner.

(e) In the case of firms with multiple offices, the licensee shall identify on its original and each renewal application each office to be registered, as prescribed on a form approved by the Board.

## **7.5 NON-RESIDENT PUBLIC ACCOUNTANTS-**

A non-resident Public Accountant and an Arkansas Public Accountant or Certified Public Accountant may form a partnership or corporation for the practice of public accountancy, which shall be registered with the Board, provided that the non-resident Public Accountant holds a valid and unrevoked license in a jurisdiction having a regulatory law and, further provided that the non-resident Public Accountant shall not actively practice public accounting in Arkansas as an individual or as a partner or shareholder of the firm. The Board will not register such a partnership or corporation if the non-resident Public Accountant lives in a state which does not have a regulatory accountancy law.

## Rule 8 PROFESSIONAL STANDARDS

- 8.1** Licensees shall comply with professional standards in the performance of professional services.
- 8.2** "Professional standards" means the following, as in effect on ~~June 1, 1999~~September 12, 2005:
- (1) Statements on Auditing Standards (SAS) and related Auditing Interpretations issued by the AICPA;
  - (2) Statements on Standards for Accounting and Review Services (SSARS) and related Accounting and Review Services Interpretations issued by the AICPA;
  - (3) Statements on Standards on Consulting Services (SSCS) and related Consulting services Interpretations issued by the AICPA;
  - (4) Statements on Standards for Attestation Engagements (SSAE) and related Attestation Engagements Interpretations issued by the AICPA;
  - (5) Statements on standards for Accounting Services on Prospective Financial Information, Financial forecasts and Projections and Reporting on Pro Forma financial Information and related Prospective Financial Information, Forecasts, Projections and Pro Forma Interpretations issued by the AICPA;
  - (6) Statements on Responsibilities in Tax Practice and related Tax Practice Interpretations issued by the AICPA;
  - (7) Statements for Performing and Reporting on Quality Reviews and Interpretations of Standards for Performing and Reporting on Quality Reviews issued by the AICPA;
  - (8) Standards for Audits on Governmental Organizations Programs, Activities and Functions issued by the Comptroller General of the United States;
  - (9) Generally Accepted Accounting Principles and Interpretations of Generally Accepted Accounting Principles issued by the Financial Accounting Standards Board (FASB);
  - (10) Generally Accepted Accounting Principles and Interpretations of Generally Accepted Accounting Principles issued by the Governmental Accounting Standards Board (GASB);
  - (11) Similar pronouncements by the AICPA, FASB, GASB, Securities and Exchange Commission, Public Company Accounting Oversight Board (PCAOB) and other organizations having generally recognized authority over licensees of the Board.
- 8.3** (a) Each licensee shall retain attest working papers for a minimum of five years from the report date and in a readily accessible form.
- (b) In the event that a Board investigation or disciplinary action is pending on the date identified in paragraph (a) of this rule or the licensee is notified by the Board to retain attest work papers for a longer time, the licensee shall retain the subject work papers until receipt of written notice from the Board that the investigation or disciplinary action has concluded or that the subject work papers need not be retained.
- (c) The provisions of this rule are not applicable to engagements that are subject to the jurisdiction of the PCAOB or the Comptroller General of the United States which are specifically regulated as to the time for the licensee's retention of audit work papers.



**Rule 9 COMMUNICATION, CHANGE OF ADDRESS OR BUSINESS AFFILIATION.**

- 9.1** Notice shall be given by the licensee to the Board within thirty (30) days of any new residence or business address or the address of any additional office opened for the practice of public accounting in this State. Notice must be similarly given by the licensee of the closing of any such offices. No form is provided for such notices, but they must be in writing and whether in letter form or otherwise, they must be clearly headed with "Notice of New Office", "Closing of Office", or similar wording, and, in the case of a new office, the name and the certificate or registration number of the resident manager is to be furnished. All offices of the practice of public accounting, on closing, must return any certificate of registration issued by the Board.
- 9.2** The Board shall be notified by the licensee within thirty (30) days of any change of employment or business affiliation, together with the address of the new employer or business affiliate.
- 9.3** Upon the death or incapacity of a licensee or the closing of an accounting firm for any reason, including bankruptcy, the Board may in its discretion, based upon the merits and circumstances of each case, permit the accounting firm to continue operating for a period of time not to exceed one hundred eighty (180) days under the supervision of a person approved by the Board and subject to conditions prescribed by the Board.

## **Rule 10 ANNUAL REGISTRATION.**

### **10.1 INITIAL APPLICATION, RECIPROCAL, OR REINSTATEMENT**

~~Each licensee shall, on or before the first day of January in each year, notify the Board in writing. Application for an initial license, reinstatement, or renewal shall be made on a form provided by the Board, and in the case of application for renewal, shall be filed by January 1 of each year. of his present place of residence, his present employer, and such other information as the Board may require. At the time of transmitting such information, he shall pay to the treasurer of the Board a registration fee each year as determined by the Board.~~

### **10.2 CRIMINAL BACKGROUND CHECKS**

~~(a) Each applicant for an initial license, including a reciprocal license, or for a new license under Ark. Code Ann. § 17-12-504(h), shall apply, using forms furnished by and pursuant to instructions provided by the Board, for state and national criminal background checks to be conducted by the Identification Bureau of the Department of Arkansas State Police and Federal Bureau of Investigation; the Board may in its discretion on reasonable cause require an applicant seeking the reinstatement of a license under Ark. Code Ann. § 17-12-504(g) to apply for the criminal background checks as provided herein.~~

~~(b) The criminal background checks shall have been completed no earlier than six (6) months prior to the date of receipt of the application, unless the delay is beyond the control of the applicant.~~

~~(c) An applicant who seeks a waiver of a conviction under paragraph (d) below must cause the following certified documentation to be transmitted directly to the Board by the court or other entity or individual that is providing documentation about the applicant:~~

~~(1) Copies of court documents pertinent to conviction, i.e., information, indictment, or other charging documents, and judgments, orders, final rulings, or other documents specifying conviction and sanctions, and penalties; and~~

~~(2) Documentation from the appropriate governmental official regarding the applicant's status and compliance with regard to terms of probation, parole, restitution, penalty, or any other sanctions.~~

~~(d)(1) person convicted of a felony or crime involving moral turpitude or dishonesty in any state or federal court may not receive or hold a license as a certified public accountant or public accountant.~~

~~(2) Provided; however, upon written request submitted with the application or after receipt of the criminal background check reports, an applicant who has a criminal conviction may seek to have the conviction waived and application approved, subject to appropriate terms and conditions.~~

~~(3) The request for waiver shall not be considered until the application, fees, applicable documentation, both federal and state criminal background check reports, and written request for waiver stating the applicant's reasons why the conviction should be waived are received by the Board.~~

~~(4) The Board, after service of notice upon the applicant, shall conduct a hearing on a request for waiver of a conviction; the hearing shall be conducted pursuant to the relevant provisions of Rule 11.~~

**10.32** ~~The Board will issue the appropriate receipt to the renew the license to the applicant licensee who has complied with the annual registration in 10.1 provided:~~

- (1) the necessary information was furnished on the annual registration form;  
~~including a representation that the CPE requirements have been met;~~
- (2) the required fee for said registration was paid, and;
- ~~(3) there are no delinquent annual registration and/or fees due for prior periods pursuant to §17-12-506;~~
- ~~(4) a proper response to the Board's Quality Review Survey was received; and~~
- ~~(5)~~(3) there is no existing suspension of certificate, license or right to apply.

**10.43**

- (a)(1) A non-resident licensee seeking renewal of a license or practice privilege in this state can satisfy the CPE requirement of this state by meeting the comparable CPE requirements for renewal of a license, permit or registration in the state in which the licensee's principal office is located (home state).
  - (2) A non-resident applicant for renewal shall be presumed to have complied with the CPE requirements in his home state by certifying that he has met the CPE renewal requirements of that state on the renewal application of this state. The Board shall annually audit a selected sample of such certifications.
- (b) If a non-resident licensee's home state has no CPE requirements for renewal of a license, permit or registration or those requirements are less than 40 hours in the past twelve months or 120 hours in the past three years, the non-resident licensee must comply with the CPE requirements for renewal of a license in this state; provided, however, any hours accepted by the Board in his home state shall be credited toward his CPE requirements in this state

**Rule 11**      **HEARINGS BEFORE BOARD-NOTICE-PROCEDURE-REVIEW  
PROCEDURE FOR ENFORCEMENT – INVESTIGATIONS**

**11.1**      (a)(1) All investigations of possible violations of the Act, Code of Professional Conduct, or the Rules of the Board should ~~shall~~ be initiated investigated by the Board investigator under the supervision of the Board's Compliance Committee ~~only with the approval of the Board.~~

(2) The Compliance Committee shall be comprised of one member of the Board, appointed by the President, and the Board's Executive Director.

(b) The major portion of possible violations may be expected to be of such nature that they can be disposed of informally by correspondence between the designee of the Board acting under the Board's instructions, and the person or persons involved.

(c)(1) An investigation shall not be deferred or suspended without the approval of the Board even though the person being investigated is made a party to civil litigation or is prosecuted in a criminal action, notwithstanding that either of such proceedings involves the subject matter of the investigation. The prosecution of an accused in such criminal proceedings shall not be a bar to disciplinary proceedings, nor shall the finding, judgment or decree of any court in such civil proceedings to which the Board is not a part be binding on the Board.

(2) The Board may defer an investigation of a case in which the accountant is a party to litigation, civil or criminal, provided that the accountant executes an agreement in a form acceptable to the Board providing that the terms of any settlement and the product of discovery generated during the litigation shall be produced upon request by the Board.

(d) The Board may conduct any investigation by a staff person and/or may designate investigating officer(s) to conduct investigations who shall be competent by reason of training or experience.

(e) No person being investigated has a right to be present or to be heard during the investigation, but before any finding is recommended such person being investigated shall be advised of the nature of the conduct which is being investigated and he shall be given an opportunity to make a statement personally or by counsel, verbally or in writing, sworn or unsworn, explaining, refuting or admitting the alleged misconduct which shall be considered by the ~~Board's investigating officer~~ Compliance Committee in making any finding and recommendation to the Board as to the disposition of the investigation.

(f) ~~The investigating officer(s), u~~ Upon completion of his an investigation, the chair of the Compliance Committee shall present a summary of the result of the investigation and recommendation that the Board make a finding of probable cause to order a hearing or other action on alleged violations of the Act, Code of Professional Conduct, or these Rules or no probable cause of such a violation of the Act or these Rules.

**11.2**      **REVIEW OF INVESTIGATIVE OFFICER COMPLIANCE COMMITTEE  
RECOMMENDATION**

(a) The Board shall consider the recommendation by the ~~investigating officer(s)~~ Compliance Committee and may find

(1) probable cause,

(2) no probable cause or

(3) instruct the investigating officer(s) to further investigate the matter.

(b) A finding of no probable cause by the Board shall be final and after such finding no further proceedings shall be had in the matter by the Board unless new or additional

evidence not available or made known to the Board at the time of the finding is thereafter brought to the attention of the Board. The Board shall promptly notify the person being investigated and any complaining party of the Board's finding of no probable cause.

(c) If the Board finds probable cause it may direct

- (1) that disciplinary action against a licensee be initiated under these rules by the filing of a complaint setting forth the particular act or acts of conduct for which the person is sought to be disciplined,
- (2) that an action be instituted pursuant to A.C.A. § 17-12-104 or § 17-12-105, or
- (3) that other appropriate action be taken.

(d) Pleadings and motions shall be filed in triplicate with the Board. When a complaint is filed, it shall be given a docket number and the answer and motions thereafter filed in the case shall refer to such docket number.

(1) At the time the complaint is filed, a copy thereof shall be mailed, under the direction of the Board, by registered mail or certified mail, return receipt requested, to the respondent at his address as shown upon the records of the Board, and with such copy of the complaint there shall be transmitted a notice that a hearing thereon will be held at a time and place to be specified, not less than thirty days after the mailing of such notice. The notice of hearing shall state the legal authority and jurisdiction under which the hearing is to be held.

(2) All pleadings, motions and orders filed in the case, except applications for witness subpoenas, shall be served on each party. Service shall be made by delivery of a copy of the document to be served to the party or his attorney or by mailing it to him at his last known address. Delivery of a copy within this rule shall mean: handing it to the attorney or to the party or, leaving it at his office with his secretary or other person in charge thereof, or, if there is no one in charge, leaving it in a conspicuous place therein. Or, if the office is closed or the person to be served has no office, leaving it at his usual place of abode with some person of his family above fifteen (15) years of age and informing such person of the contents thereof. Service by mail shall be deemed complete upon mailing. When an attorney makes the service, a certificate of service conforming to that required by the Arkansas Rules of Civil Procedure shall be taken as prima facie proof of such service in compliance with these rules.

(e) Respondent shall answer the complaint, incorporating all defenses and admitting, denying or stating he is without knowledge of such allegation of the complaint and as a part thereof may challenge the sufficiency of the complaint and the jurisdiction of the Board. No defenses are to be raised by motion. The answer must be filed within twenty (20) days after receipt of a copy of the complaint by him, unless the time for filing pleadings is extended by the president or secretary of the Board. Upon the failure of the respondent to file a timely answer or to appear at the scheduled hearing, the Board may proceed to hear evidence against him and may enter such order as shall be justified by the evidence, provided, however, that within thirty days from the date of any order, upon a showing of good cause for failure to respond, the Board may reopen said proceedings.

(f) Licensee subject to a hearing has a right to information pursuant to A.C.A. § 25-15-208 (a)(3).

(g) Hearings upon motions may be deferred until the final hearing and whenever held, rulings thereon may be reserved until conclusion of the final hearing.

### 11.3 COMPUTATION OF TIME

(a) In computing any period of time prescribed or allowed by these rules, the day of the act or event from which the designated period of time begins to run shall not be included.

The last day of the period so computed shall be included unless it is a Saturday, Sunday or legal holiday in which event the period shall run until the end of the next day which is neither Saturday, Sunday nor legal holiday. When the period of time prescribed or allowed is less than seven (7) days, intermediate Saturdays, Sundays and legal holidays shall be excluded in the computation.

(b) When a party has the right or is required to do some act or take some proceeding within a prescribed period after the service of a notice or other paper upon him and the notice or paper is served upon him by mail, three (3) days shall be added to the prescribed period.

#### 11.4 SUBPOENAS

(a) Subpoenas for the attendance of the witnesses and for the production of documents at depositions and hearings shall be issued by the Board upon its own initiative or the written application of any party. The application shall state the name and address of the witness for whom the subpoena is to be issued, the party on whose behalf the witness is expected to testify, the time and place for the witness to appear, and designated books, papers, documents or tangible things, if any, to be produced.

(b) Subpoenas shall be served as required by Rule 45, Arkansas Rules of Civil Procedure, and the party at whose instance the subpoena is issued shall be responsible for obtaining service of the subpoena.

(c) Witness fees, expenses and mileage, if requested by the witness, shall be paid by the party at whose instance the witness is summoned and shall be the same as prescribed by Rule 45, Arkansas Rules of Civil Procedure.

#### 11.5 HEARINGS BEFORE THE BOARD

(a) If the hearing on the complaint, including the taking of testimony, is to be conducted by the Board, its presiding officer, ~~or other member thereof, or designated hearing officer,~~ the Board, the presiding officer, ~~or other member,~~ or designated hearing officer shall have the authority to:

- (1) Administer oaths and affirmations,
- ~~(2) Rule upon the sufficiency of the complaint and the jurisdiction of the Board,~~
- ~~(2) (3) Rule upon offers of proof and receive relevant evidence,~~
- ~~(3) (4) Regulate the course of the hearing,~~
- ~~(4) (5) Hold conferences for the settlement or simplification of issues by consent of the parties,~~
- ~~(5) (6) Dispose of procedural requests or similar matters.~~

However, the Board shall determine any issue that would dispose of the matter without a determination on the substance of the matters at issue.

(b) The Board, at the conclusion of the final hearing or within a reasonable time thereafter, shall make findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged and enter an order stating the effective date and providing for the appropriate disciplinary action and recovery of the costs of the proceedings pursuant to A.C.A. § 17-12-604~~2~~.

(c) The Board shall promptly notify the respondent and any complaining party of its findings and order.

## **11.6 HEARINGS BEFORE A HEARING EXAMINER OR MEMBER OF THE BOARD**

(a) In the alternative, the Board may appoint a hearing examiner or member of the Board, who may conduct hearings in the absence of the Board and shall have the authority to:

- (1) Administer oaths and affirmations,
- (2) Rule upon offers of proof and receive relevant evidence,
- (3) Regulate the course of the hearing,
- (4) Hold conferences for the settlement or simplification of issues by consent of the parties,
- (5) Dispose of procedural requests or similar matters.

(b) In the event the respondent challenges the sufficiency of the complaint or the jurisdiction of the Board a recommended ruling in favor of the respondent shall be referred to the Board for decision. A recommended finding against the respondent shall be included in the report.

(c) Within thirty (30) days after the conclusion of the final hearing before the hearing examiner or member of the Board, or within such extended period of time as may be allowed by the Board for good cause shown, the hearing examiner or member of the Board shall make a report to the Board which shall include

- (1) Recommended findings of fact and conclusions of law as to each item of misconduct with which the respondent is charged,
- (2) Recommendations as to whether or not the respondent should be found guilty of misconduct justifying disciplinary measures;
- (3) Recommendations as to the disciplinary measures to be applied, if any, and
- (4) A recommended form of order.

(d) A copy of the hearing examiner's or member of the Board's report shall be served upon the respondent.

## **11.7 REVIEW OF HEARING EXAMINER'S OR MEMBER OF THE BOARD'S REPORT**

(a) Within ten (10) days after the hearing examiner or member of the Board files his report with the Board or within such extended time as may be allowed by the Board. The record of the proceedings, including the transcript of all the testimony and exhibits, shall be filed with the Board.

(b) Within thirty (30) days after the hearing examiner or member of the Board files his report, or within such extended time as may be allowed by the Board for good cause shown, the respondent may file with the Board exceptions to the hearing examiner's or member of the Board's report and may file a brief in support of such exceptions. If the respondent files a brief, the counsel prosecuting the case may, within twenty (20) days after the respondent's brief is filed with the Board or within such extended time as may be allowed by the Board for good cause shown, file a brief in reply. The parties shall file six (6) copies of the brief with the Board and shall serve one (1) copy upon the opposing party or his counsel.

(c) The Board shall notify the respondent of the time and place of its meeting, at least ten (10) days in advance thereof, at which time it will review the hearing examiner's or member of the Board's report. The respondent or his counsel may attend and present oral argument in support of any exceptions filed under

subparagraph (b) of this rule. If the respondent or his counsel presents such oral argument, the counsel prosecuting the complaint may present oral argument in reply. Each side will be allowed a stated amount of time designated by the Board for argument.

(d) The Board, after review of the record and the hearing examiner's report, and considering the briefs and oral argument, if any, shall within a reasonable time make findings of fact as to each item of misconduct with which the respondent is charged, conclusions of law and enter an order stating the effective date and the disciplinary action pursuant to A.C.A. §\_17-12-604~~2~~ et seq\_ or exonerating the respondent.

#### **11.8 DISPOSITION OF PROCEDURAL REQUESTS**

In the event the hearing is to be conducted pursuant to Rule 11.6 or no decision has been made by the Board to appoint a hearing examiner or member of the Board, the Board may appoint one of its members or a designated hearing officer to rule upon procedural requests or similar matters. Such rulings shall be reviewed by the Board at its hearing on the complaint or at the time it reviews the report of the hearing examiner or member of the Board.

#### **11.9 EVIDENCE**

The admission of evidence shall be governed by A.C.A. §\_25-15-213(4).

#### **11.10 RECORD OF PROCEEDINGS**

(a) An accurate record of the testimony, evidence and all proceedings made before a hearing examiner, a member of the Board or before the Board shall be reported, transcribed, indexed and bound by a court reporter supplied by the Board. a~~Any~~ party may contract with the court reporter for a transcript of the proceedings.

(b) In the event that judicial review is sought of any Board action taken pursuant to these rules, the Board shall prepare or have prepared a certified transcript of record, including all pleadings, motions, or other requests, certified transcripts of all proceedings, evidence, the hearing examiner's or member of the Board's report and exceptions here to and the Board's finding of fact and order, or so much of the foregoing as is essential, and submit the same to the reviewing court.

(c) The party or parties seeking judicial review of an order rendered by the Board may apply to the Board for a stay of that order. The stay may be granted upon such conditions as shall be reasonable, and the order granting a stay shall specify the conditions upon which the stay is granted.

#### **11.11 PUBLICATION OF DISCIPLINARY/ADMINISTRATIVE SANCTIONS**

The Board may cause to be published in the Board's and NASBA's official publications (printed or electronic), and may publish in newspapers of general circulation in the state, the name of any certificate or registration holder who is the subject of a reprimand, suspension of certificate or registration, revocation of certificate or registration, or surrender of certificate or registration in lieu of disciplinary action, or any other disciplinary action. Such publication shall not occur until a final Board order has been issued. The publication may contain a narrative factual summary of the actions and /or violations which were the basis for the disciplinary/administrative action.



## RULE 12-FEES

The fees for various services of the Board are as follows (must be paid in U. S. dollars):

~~CPA EXAMINATION FEES: (Upon implementation of a computer-based examination, the fees and nomenclature shall no longer be applicable):~~

<del>First-time application fee (non refundable)</del>	<del>\$50</del>
<del>Law &amp; Professional Responsibilities</del>	<del>\$65</del>
<del>Auditing</del>	<del>\$65</del>
<del>Accounting &amp; Reporting</del>	<del>\$65</del>
<del>Financial Accounting &amp; Reporting</del>	<del>\$65</del>
<del>Proctor Fee for Out-of-State Applicants</del>	<del>\$65</del>

~~CPA EXAMINATION FEES: (Upon implementation of a computer-based examination, the fees and nomenclature below will be applicable)~~

<del>First-time application fee (non refundable)</del>	<del>\$50</del>
<del>Candidate Testing 4 Sections (includes *NAP fees)</del>	<del>\$590</del>
<del>Candidate Testing 3 Sections (includes *NAP fees)</del>	<del>\$480</del>
<del>Candidate Testing 2 Sections (includes *NAP fees)</del>	<del>\$350</del>
<del>Candidate Testing 1 Section (includes *NAP fees)</del>	<del>\$200</del>
<del>*NAP - NASBA, AICPA, and Test Delivery Service Provider</del>	

\* Application Fees – First-Time and Section Fees (non-refundable and non-transferable):

<u>First-time application fee</u>	<u>\$50</u>
<u>Applying for one section</u>	<u>\$75</u>
<u>Applying for two sections</u>	<u>\$90</u>
<u>Applying for three sections</u>	<u>\$105</u>
<u>Applying for four sections</u>	<u>\$120</u>

\* Other Costs:

Fees for the NASBA, AICPA, and Test Delivery Provider are also collected by the Board and held for the candidate for transfer to these entities.  
These entities set fees separate from the Board. The Board will display such fees on the examination application.

APPLICATION FEES (non refundable):

CPA/PA License	\$50
Reciprocal Certificate	\$50
Registration as a Public Accountant	\$50
Registration of Partnership, Limited Liability Company or Corporation Composed of CPAs	\$110
Registration of Partnership, Limited Liability Company or Corporation Composed of PAs	\$110
Reinstatement	<del>\$100</del> 150
Duplicate or replacement certificate	<del>\$20</del> 40
Transfer of Credits From Another Jurisdiction:	
Transfer Fee for Each Part	\$10

ANNUAL REGISTRATION FEES

License to Practice.....	\$110
Inactive License Status.....	\$55
<u>Inactive/Retired.....</u>	<u>\$30</u>
Notification of intent to practice under "Substantial Equivalency" (SE) Provision.....	\$110
Partnership, Corporations and Limited Liability Company.....	\$110
Registration of each firm office in excess of one office.....	\$25
Late Fee - License to Practice/Firms/SE.....	per month \$25
Late Fee - Inactive License Status.....	per month \$10

QUALITY REVIEW

<u>Fee for First Report.....</u>	<u>\$100</u>
<u>Fee for each additional type of report submitted.....</u>	<u>\$50</u>

Fees are due at the time reports are submitted for review in response to QR Survey

## **Rule 13 CONTINUING EDUCATION**

Pursuant to the provisions of the Act, the Board prescribes the following regulations amending requirements of continuing education to be met from time to time by licensees in order to maintain the highest standard of proficiency in the profession of public accountancy.

### **13.1 DEFINITIONS THAT ARE APPLICABLE TO RULE 13:**

- (a) Continuing Professional education (CPE): An integral part of lifelong learning required to provide competent professional accounting service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.
- (b) Group Program: An educational process designed to permit a participant to learn a given subject through interaction with an instructor and other participants either in a classroom setting or using the Internet (non-interactive Internet courses will not qualify in this area).
- (c) Independent Study: An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor (all independent study must be approved in advance by the Arkansas State Board of Public Accountancy).
- (d) Self-study Program: An educational process designed to permit a participant to learn a given subject without major involvement of an instructor. Self-study programs use a pilot test (a sampling of at least three individuals) to measure the average completion time from which the recommended CPE credit is determined.
- (e) Authorship: An education process designed to permit a participant to increase professional competence through research and writing articles, books or CPE programs. For the writer to receive CPE credit, the article, book, or CPE program must be in the subject areas specified in Rule 13.2(a)(1) and formally accepted in writing for publication.

### **13.2 BASIC REQUIREMENTS**

- (a) An applicant for renewal of a license must have completed acceptable continuing education, except as otherwise provided in Section 13.2(b), in the amount of 120 hours within 36 months or 40 hours within 12 months immediately preceding January 1 of the year for which the license is renewed, and further provided that:
  - (1) All license holders shall complete at least 60% of the required hours in the subject areas of accounting, accounting ethics, attest, taxation, computer science (see rule 13.3 h) or management advisory services.
  - (2) License holders engaged in any attest or compilation function shall complete at least 20% of the required hours in the subject areas of attest and accounting theory/practice.
  - (3) All license holders must complete at least 4 hours of CPE in the area of accounting professional conduct and ethics during the 36-months immediately preceding January 1, 2005. Beginning January 1, 2005, any 36-month reporting cycle must contain at least 4 hours of CPE in the area of accounting professional conduct and ethics ~~(pre-rated if the initial license is issued after January 1, 2005, but a minimum of 1 hour is required).~~
- (b) The Board may make exceptions for reasons of individual hardship including, but not limited to, health, military service, foreign residency, or other good cause. No exception shall be made solely because of age or retirement.
- (c) Responsibility for documenting the acceptability of the continuing education requirement rests with the applicant, who must retain such documentation for a period

of five (5) years following the end of the year of completion of the continuing education hours.

### 13.3 PROGRAMS WHICH QUALIFY

- (a) A program qualifies as acceptable continuing education if it is a formal program of learning which contributes directly to the professional competence of an individual licensed to practice as a public accountant. The responsibility for substantiating that a particular program meets the requirements of this paragraph rests solely upon the licensee.
- (b) Continuing education programs requiring attendance will qualify only if
- (1) An outline of the program is prepared in advance and preserved.
  - (2) The program is at least one hour (fifty-minute period) in length, excluding meal time and business session. Credit shall be based on contact hours. A 50-minute period will be considered as being equal to one hour. One-half CPE credit hours (equal to 25 minutes) are permitted after the first hour has been earned in a given program. Hours devoted to preparation by the participant shall not be counted as a contact hour.
  - (3) The program is conducted by a qualified instructor. A qualified instructor or discussion leader is anyone whose background, training, education or experience makes it appropriate for her/him to lead a discussion on the subject matter of the particular program. A lecturer or discussion leader shall be afforded CPE credit for preparation and presentation of a program for twice the number of CPE hours applicable for participants to the extent that the program contributes to the professional accounting competence of the applicant. Such credit does not pertain to the teaching of academic courses or other CPE courses that do not meet the criteria of Rule 13.3(a). Repetition of the same course material in the same year will not be allowable for credit as continuing education.
  - (4) A record of registration or attendance is maintained.
  - (5) The sponsor of the program is either approved registered or exempt from registration pursuant to the provisions of Rule 13.4.
- (c) The following programs are examples deemed to qualify, provided Subsection 13.3(a) and (b) are met:
- (1) Programs or seminars sponsored by accredited higher educational institutions [see Rule 13.4(f)(2)], government agencies, NASBA, professional organizations of Certified Public Accountants and Public Accountants, firms of Certified Public Accountants and Public Accountants, and industrial firms that meet the guidelines of Rule 13.3(b).
  - (2) Technical sessions at meetings of recognized national and state accounting organizations and their chapters.
  - (3) University or college courses offered by accredited institutions [see Rule 13.4(f)(2)] through classroom, correspondence, or distance learning.

Credit courses. Each semester hour credit shall equal 15 hours towards the requirement. A quarter hour credit shall equal 10 hours.

Non-credit short courses. Credit is computed by contact hours.

(d) Individual study programs distance learning, independent study and self study} for which evidence of satisfactory completion is issued by the provider organization prior to January 1 of the year for which the licensee is being renewed may qualify. The Board shall accept the hours of continuing education credit recommended by the provider organization (subject to the constraints of Rule 13.3(b)(2)). NASBA's Quality Assurance Services (QAS) hours will be accepted if the course is QAS registered. Sponsors of such programs, excluding those offered by providers listed in paragraphs (c1), (c2), and (c3) above, must be registered or exempt from registration pursuant to the provisions of Rule

13.4 (see Rule 13.3(f) below).

(e) Articles, books, or CPE programs, as indicated in Rule 13.1(a)(5), may qualify for self-declared CPE credit if the article, book or CPE program contributes to the professional competence of the licensee and has been formally accepted for publication in writing prior to the effective date of the license year (see Rule 13.3(f) below).

(f) Combined credit awarded in paragraphs 13.3(d) and 13.3(e) above shall not exceed 60 percent of the total CPE hours required.

(g) Acceptable continuing education will not include any education leading to completion of the requirements to acquire a CPA certificate. Included in this category is (1) any academic work necessary to qualify to take the CPA Examination [per Board Rule 3.3(b)] and (2) any CPA Review courses or course(s) offered for the specific purpose of preparing to take the CPA Examination.

(h) Computer science (see Rule 13.2(a)(1) above) does not include tutorials and/or related videos.

(i) Continuing education programs offered in other jurisdictions that have comparable CPE rules to the Arkansas Board's rules will be accepted. The burden of proof on comparable CPE lies with the licensee.

(j) In the case of an Arkansas reciprocal license, continuing education programs that have been accepted for fulfillment of the CPE credit in the jurisdiction of the original licenses will be accepted.

#### **13.4 APPROVED SPONSORS**

(a) The sponsor of any continuing education program(s), which is not exempt under Rule 13.4(f), must, prior to offering such program(s) register as follows:

(1) Those sponsors offering programs totaling more than 16 credit hours per year, or offering programs more than 5 times per year must register with the National Registry of CPE Sponsors, administered by the National Association of State Boards of Accountancy (NASBA) sponsors of such programs in self-study format may register with NASBA's QAS as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(2) Those sponsors offering programs which total 16 credit hours or less per year and offering programs 5 times or less per year must either register with the National Registry of CPE Sponsors administered by NASBA or register with the Board annually using a registration form prescribed by the Board; sponsors of such programs in self-study format may register with NASBA's Quality Assurance Services as an alternative to, or in addition to, registration with the National Registry of CPE Sponsors.

(b) The sponsor of any continuing education program registered with NASBA's National Registry of CPE Sponsors or Quality Assurance Service shall comply with the requirements of the Registry. Those sponsors registering with the Board as well as those exempt under Rule 13.4(f) shall keep detailed records of the following:

- (1) The date and location of the program presentation;
- (2) The names of each instructor or discussion leader;
- (3) A list of licensees attending each program presentation, and the license numbers of such attendees; and
- (4) A written outline of the program presentation.

(c) The records required by subparagraph 13.4(b) shall be retained for a period of 5 years after the end of the year of each program presentation.

(d) The sponsor of any continuing education program approved or exempt from registration pursuant to this rule must advise attendees of such approval or exemption, together with the sponsor number, subject code and the number of continuing education hours allowable.

(e) The Board may withdraw approval of any continuing education program if the sponsor of such program fails to comply with the provisions of this Rule.

(f) The following are exempt from registering with the Board and the NASBA Registry of CPE Sponsors:

(1) Professional accounting and legal organizations such as the American Institute of Certified Public Accountants, the Arkansas Society of Certified Public Accountants, the National Society of Public Accountants, the Arkansas Society of Public Accountants, NASBA, the Institute of Management Accountants, the American Accounting Association, the American Bar Association, the Arkansas Bar Association, and other similar organizations:

(2) Universities or colleges that are accredited per Rule 3.13(a) or (b);

(3) Firms, both accounting and industrial, offering organized in-firm education programs which meet the requirements of Rule 13.3(a); and

(4) Governmental entities.

### 13.5 CPE REPORTING REQUIREMENTS

(a) Applicants for renewal of a license must submit with their annual registration a representation that the applicant has met the CPE requirement for issuance of a license together with a CPE statement, in a form prescribed by the Board, showing the continuing education programs and hours completed during the twelve months immediately preceding January 1 of the year for which the license is being renewed. The applicant must retain all supporting documentation for the programs and hours for five (5) years following the end of the year of completion.

(b) The CPE statement shall show the following:

(1) NASBA registration number or an E, if the sponsor is exempt;

(2) Sponsoring organizations;

(3) Location of program;

(4) Title of program or description of content;

(5) Dates attended and/or completed and submitted;

(6) Hours claimed; and

(7) Other information as designated by the Board.

(c) On an annual basis, the Board will audit the CPE statements of a selected number of licensees, and those licensees will be required to submit support documentation acceptable to the Board as part of the audit process.

### 13.6 NONCOMPLIANCE AND SANCTIONS

(a) Should a licensee report less than the required number of CPE hours, the licensee shall complete the balance of the CPE hours for the reporting period and provide the Board with appropriate documentation no later than January 31 of the following CPE reporting period. Delinquent CPE hours reported to the Board under Section 13.6 shall first apply to the deficiency and any remaining CPE hours shall be applied to the current CPE reporting period.

(b) Should a licensee fail to timely report CPE hours in conjunction with the renewal application or fail to timely file a report on completion of the balance of the CPE hours as provided in paragraph (a) of this section, the Board shall serve notice of noncompliance upon the licensee. The notice shall state the nature of the noncompliance. The licensee shall, within thirty (30) days of the date of the notice, deliver acceptable documentation to the Board that the licensee has successfully completed the minimum CPE hours to correct the noncompliance.

(c) In addition to the notice of noncompliance described above, the Board may institute a proceeding to impose disciplinary action against a licensee who fails to comply with any provision under Rule 13. The disciplinary action for a licensee who completes the minimum number of CPE hours during the period provided in paragraph (a) of this section shall be a monetary penalty unless the Board determines that other disciplinary action is appropriate. The disciplinary action for a licensee who failed to obtain the minimum CPE hours before the date for correction of the delinquency under paragraph (a) of this section or who completed the minimum CPE hours after notice of noncompliance under paragraph (b) of this section may be suspension of the license unless the Board determines other disciplinary action to be appropriate.

(d) A licensee who has been suspended pursuant to this section may file a petition for reinstatement which shall state the reasons for noncompliance, that the licensee is presently in compliance, any other material information and that the licensee has not performed any of the services set forth in A.C.A. § 17-12-505 since the suspension under this section. The petitioner may request a hearing and the Board may require additional CPE hours as a condition of reinstatement. Any reinstatement shall be subject to the provisions of Rule 13.89

### 13.7 INACTIVE STATUS

~~(a) A licensee who complies with this Rule 13.7 shall be granted an exception to the continuing education requirement of A.C.A. § 17-12-502.~~

~~(b) To qualify for this exception, the licensee must annually pay the appropriate inactive status registration fee as determined by the Board and complete a form prescribed by the Board.~~

~~(a) (c) A licensee on inactive status shall not perform any of the services set forth in A.C.A. § 17-12-505. If the licensee performs any such services, he shall be subject to discipline by the Board pursuant to A.C.A. § 17-12-6042, et seq. or § 17-12-105.~~

(b) A licensee who complies with this Rule 13.7 shall be granted an exception to the continuing education requirement of A.C.A. § 17-12-502.

(c) To qualify for this exception, the licensee must annually pay the appropriate inactive status registration fee as determined by the Board and complete a form prescribed by the Board.

(d) A person on inactive status may convert to active status as follows:

1. Complete a form prescribed by the Board and submit payment of the appropriate fee(s) (initial or upgrade) for active status.

2. Comply with CPE requirements under these rules for the renewal period following reinstatement on a pro rata basis, such hours to be computed at a rate of 3 1/3 hours per month from the date of reinstatement to the end of the renewal period in which reinstatement occurs.

3. Comply with the appropriate condition below:

(A) If inactive for less than three (3) years, the licensee must deliver documentation acceptable to the Board showing completion of forty (40) hours of CPE, qualified pursuant to Rule 13.2, for each consecutive (12) month period the licensee was on inactive status; ~~f~~For any period of less than twelve (12) consecutive months, whether alone or as part of a period exceeding twelve (12) months, the number of CPE hours shall be prorated at the rate of 3 1/3 hours of CPE per month of inactive status.

(B) If inactive for less than (1) year, the licensee will be considered not to have been inactive for CPE reporting purposes.

(BC) If inactive for three (3) years or more, the licensee must develop and deliver to the Board a proposed program of CPE as specified in Rule 13.2(a) ( to include four hours of accounting professional conduct and ethics). After the Board's approval of the CPE program, the licensee shall complete all of the CPE hours during the 36-month period immediately preceding the date of the licensee's application for active status. The licensee shall attach to said application documentation acceptable to the Board showing successful completion of all of the CPE hours comprising said CPE program.

**13.8** INACTIVE/RETIRED

(a) A licensee who has reached the age of 65 years and does not perform any services set forth in A.C.A. § 17-12-505 may renew his license by payment of the inactive/retired fee identified in Rule 12. In order to convert to a license to practice or to resume the practice of public accountancy, the licensee shall comply with the provisions of Rule 13.7(d).

(b) Licensees who have attained the inactive/retired status may use the term "retired" adjacent to their CPA title, or PA title in lieu of "inactive" as required in A.C.A. § 17-12-505.

**13.89** ACTIVATION OF DELINQUENT, SUSPENDED OR REVOKED LICENSES

(a) A person whose license is delinquent, suspended or revoked and who applies for active status will be subject to the same CPE requirements as those who wish to activate inactive licenses (see Rule 13.7).



## Rule 14 QUALITY REVIEW PROGRAM

### 14.1

(a) There is hereby established a Quality Review Program (the "Program"). The purpose of the Program is to improve the quality of financial reporting and to assure that the public can rely on the fairness of presentation of financial information on which licensees issue reports. The Program emphasizes education and rehabilitation rather than disciplinary action. Appropriate educational programs or procedures will ordinarily be recommended or required where reporting does not comply with appropriate professional standards. However, when a licensee is unwilling or unable to comply with such standards, or a licensee's professional work is so egregious as to warrant disciplinary action, such action may be taken as the appropriate means of protecting the public interest.

### 14.2 QUALITY REVIEW COMMITTEE

~~(b)(a) The Board will annually appoint a Quality Review Committee (the Committee) (the "Committee") to will assist in the implementation and administration of the Program. The Committee will consist of no fewer than nine (9) members, all of whom must be holders of currently valid licenses issued under A.C.A. §17-12-501. The Committee's responsibilities will include:~~

- ~~(1) Developing procedures for the internal operation of the Committee,~~
- ~~(2) Developing criteria for assignment of reviewers to specific tasks taking into account such factors as geographic location, size of firm, technical skill requirements and such other criteria as the Board determines appropriate,~~
- ~~(3) Assisting the Board in the selection and training of reviewers of reports as described in Subsection (e),~~
- ~~(4) Developing and recommending to the Board a system for selection of reports to be reviewed,~~
- ~~(5)(4) Evaluating the findings of the reviewers of reports and making reports and recommendations to the Board,~~
- ~~(6)(5) Compiling and reporting to the Board statistics on the impact and effect of the Program, and~~
- ~~(7)(6) Considering such other matters and performing such other duties regarding the Program as may be assigned to it by the Board from time to time.~~

~~(b) The composition of the Committee:~~

- ~~(1) The Committee shall be comprised of nine licensees appointed by the Board.~~
- ~~(2) The President shall annually appoint one member of the Board who shall be chair.~~
- ~~(3) The remaining members shall be selected at the Board's discretion from nominees submitted by professional accounting associations or from other qualified licensees identified by the Board. Their terms shall be three years and shall be staggered.~~

~~(c) The qualifications for serving as a member are:~~

- ~~(1) Licensed by and in good standing with the Board.~~
- ~~(2) The licensee or firm with which he is associated has completed an acceptable peer review, pursuant to Rule 14.3(d), or has completed the Board's Quality Review, both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment; and~~
- ~~(3) The licensee or his firm has no pending investigations or disciplinary matters by the Board.~~

~~(d) The chair shall vote only in case of a tie.~~

~~(e) Annually, one-third (1/3) of all practice units will be selected and required to submit in connection with their license renewal for the following calendar year one copy of each of the following kinds of reports, if issued, by that practice unit during the previous twelve (12) month period (July-June).~~

- ~~(1) Compiled financials (with disclosures if issued),~~
- ~~(2) Reviewed financials,~~
- ~~(3) Audited financials,~~
- ~~(4) An audit report issued in accordance with Government Auditing Standards and,~~
- ~~(5) An examination of prospective financial information.~~

A practice unit is considered to be any firm registered with the Board and any licensee not employed by or associated with a firm but who has issued any of the reports listed above.

The selection of practice units will be accomplished in such a manner that each practice unit will be required to submit reports for review every three (3) years. Any practice unit selected for review which can submit a copy of a successful Peer/Quality Review, acceptable by the Board, which has been completed within the previous three (3) years shall be granted an exemption from the Quality Review requirement.

~~(d) Any work product submitted in accordance with Subsection (c) shall omit the name and address of the client, but the nature of the enterprise shall be identified.~~

~~(e) The identities of the sources of financial statements and reports received by the Board shall be preserved in confidence. Reports submitted to the Committee pursuant to Subsection (c), and comment of reviewers, the Committee and the Board on such reports or working papers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the Board to the licensee who issued the financials.~~

~~(f) The Committee shall annually review the reports submitted in accordance with Subsection~~

~~(g) The Committee shall determine, with respect to each financial statement reviewed, the following:~~

- ~~(1) Whether the report and financials are in general conformity with applicable professional standards and~~
- ~~(2) If not, in what respects the report is substandard or seriously deficient and~~
- ~~(3) Any recommendations for improvement of the quality of the report.~~

~~(h) The Board shall review the determinations and recommendations regarding reviews of reports by the Committee pursuant to Subsection (g), and in any case where the Committee has determined, and the Board concurs, that a report is in general conformity with applicable professional standards, the Board shall forward the Committee's determination and recommendations, if any, to the person in charge of the practice unit which submitted the work,~~

~~(i) If the Board concurs with the Committee that a report referred to the Board by the Committee is substandard or seriously deficient with respect to applicable professional standards, the Board may take appropriate action such as:~~

- ~~(1) The Board may submit to the practice unit a letter of comment detailing the perceived deficiencies noted and request comments related thereto. A response from the practice unit will be subject to follow-up review by the Board.~~
- ~~(2) The Board may require any individual licensee with primary responsibility for issuance of the report or who substantially participated in preparation of the report and/or the related working papers to complete successfully specific courses or types of continuing education as specified by the Board. The cost of any of the course or courses shall be borne by such licensee.~~
- ~~(3) The Board may direct that review of the working papers be conducted. The review of the working papers shall be conducted by a person other than the person who performed the original review of the report. The findings of any such review shall be transmitted directly to the Board. The cost of any such review shall be borne by the practice unit.~~
- ~~(4) The Board may require that the practice unit responsible for the substandard report submit all or specified categories of its reports to a pre-issuance review in a manner and for a duration prescribed by the Board.~~

(5) If it appears that the professional conduct reflected in the substandard report is so serious as to warrant consideration of possible disciplinary action, the Board may initiate an investigation pursuant to the Act and these Rules.

#### 14.3 QR SURVEY

Quality Review (QR) is to be conducted annually on one third of the licensees on a rotating basis. QR may be required more frequently as provided herein.

(a) The Board will mail a QR survey to one-third of its licensees annually. The recipient shall return the completed survey form within the time specified and submit reports, for QR purposes, when reports have been issued during the QR period as stated in the instructions in said survey form.

(b) Failure to respond to the QR survey mailed by the Board or to submit reports for QR purposes, when reports were issued during the subject period, shall be a basis for the non-renewal of the license, after notice and hearing, as provided by Ark. Code Ann. § 17-12-507.

(c) In response to the QR survey, the licensee shall submit an audit report, review report, governmental audit report, examination of prospective financial information, and compilation report with disclosures if any were issued and, if not, a compilation report without disclosures, issued by the licensee during the 12 month period identified in the QR survey.

(d) Submission to the Board of an acceptable peer review report, performed by a CPA, PA or firm, licensed in this or another state, and the individual CPA or PA is qualified pursuant to the provisions of Rule 14.4-14.5(a)-(e), or 14.11, which is conducted consistent with a peer review program authorized by a professional accounting organization and approved by the Board, dated within the QR period or the twenty-four months immediately preceding the QR period, will exempt the licensee from QR on that type of report. For purposes of this paragraph, acceptable peer review reports shall be those classifications designated by the peer review program that are generally comparable to acceptable and marginal QR reports as defined in Rule 14.8, and which the Board identifies in its approval of the individual peer review program as comparable to acceptable and marginal QR reports.

#### 14.4 QR REVIEWERS

The QR reviewers shall have the following qualifications:

(a) Licensed by and in good standing with the Board.

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment.

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of report he will be reviewing.

#### 14.5 TEAM CAPTAINS

Team captains shall have the following qualifications:

(a) Licensed by and in good standing with the Board.

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no

substandard report within three years immediately preceding the appointment.

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of report he will be reviewing.

(e) Shall have served as a quality reviewer for a minimum of one year, and

(f) Shall be approved by the QR Consultant.

#### 14.6 QR CONSULTANT

The QR consultant shall have the following qualifications:

(a) Licensed by and in good standing with the Board.

(b) The licensee or firm in which he is associated has completed an acceptable peer review pursuant to Rule 14.3(d), or has completed the Board's Quality Review both including a minimum of one category of compilation, review, and/or audit with no substandard report within three years immediately preceding the appointment.

(c) The licensee or his firm has no pending investigation or disciplinary matters by the Board, and

(d) Shall have a minimum of 5 years experience in accounting and auditing, including experience in the type of reports he will be reviewing, and

(e) Shall be approved by the Board.

#### 14.7 QR PROCEDURE

(a) The QR process shall include:

(1) Review and classification of the report and a statement of reasons for the classification by an assigned reviewer.

(2) Review of that classification and reasons therefore by the QR team captain who may make appropriate changes after consulting with the assigned reviewer.

(3) Review of that classification and reasons therefore by the Board's QR Consultant who may make appropriate changes after consulting with both the assigned reviewer and team captain.

#### 14.8 QR CLASSIFICATIONS

The QR will result in a determination whether each report is acceptable, marginal, or substandard.

"Acceptable" means that the report contains no deficiencies or only minor deficiencies.

"Marginal" means that the report contains more serious deficiencies, such as departures from the technical reporting or accounting standards set forth in Board Rule 8, but of the type that will not render the statement materially inaccurate or misleading.

"Substandard" means that the report is materially inaccurate or misleading; such a report violates one or more significant reporting standards, seriously departs from Generally Accepted Accounting Principals, or does not include material disclosures necessary for a fair presentation.

"Deficiency" means a failure to comply with any provision in the Professional Standards identified in Board Rule 8.

#### 14.9 NOTIFICATION AND RESPONSE

(a) The licensee will be notified in writing of the QR classification of each report. Notice of marginal and substandard reports shall be by certified mail, return receipt requested. No response is necessary for an "acceptable" or "marginal" classification, and QR will be closed. If the licensee who has received a marginal classification disagrees, he should notify the Board in writing within 30 days. The notification will instruct the licensee who has received a substandard classification to reply to the Board in writing within 30 days.

(b) Marginal Classification. If the licensee agrees with the marginal classification, no reply is necessary and the QR is complete. However, if the licensee disagrees with the classification, he may, but is not required to file a notice including an explanation of his objection, citations to applicable professional standards, and any relevant documentation supporting his objection to the classification for consideration by QR Consultant. This notice must be written and filed with the Board within 30 days. After reconsideration of the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, the QR Consultant will affirm the classification of or reclassify the licensee's report. The licensee will be notified of this result in writing for informational purposes. The QR will be closed and the licensee will remain in the same QR cycle.

(c) Substandard Classification.

(1) First substandard classification.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of a first substandard classification stating whether he agrees or disagrees with that classification.

(B) If the licensee agrees with the substandard classification, the Board shall request that the licensee obtain 16 hours of CPE in specific subjects. In the event there is another substandard classification on a different type of report in the same QR cycle, additional CPE may be requested. Said CPE is intended to be educational, for the purpose of improving the quality of the licensee's reports, rather than disciplinary in nature, shall not be self-study, and shall be approved in advance by the Board's Executive Director. The licensee shall complete said CPE hours and deliver acceptable documentation thereof to the Board on or before June 30 of the following year.

(C) If the licensee disagrees with the substandard classification, he may deliver written notice to the Board within 30 days explaining the objection to the classification, citation to applicable professional standards and any relevant documentation supporting the licensee's objection to the classification. The QR Consultant shall review the Summary of Deficiencies and Comments, original documents from the licensee, and any supplemental information from the licensee that may have been requested by the QR Team, and will affirm the classification of, or reclassify the licensee's report. The licensee will be provided written notice of the QR Consultant's review of the report by certified mail, return receipt requested.

(D) The licensee can request that the QR Committee review the QR Consultant's reconsideration of the classification of the licensee's report. Said request shall be filed with the Board in writing within 30 days.

(E) The QR Committee will consider the classification based upon all records considered by the QR Consultant as described by paragraph (b) and determine the appropriate classification for the report. The licensee will be notified of the Committee's classification of the report in writing by certified mail, return receipt requested.

(F) The licensee can appeal the QR Committee's decision on the classification, and obtain a hearing by the Board by filing a written notice of appeal with the Board within 30 days. The Board shall notify the licensee of the time and place of the hearing and shall consider the classification of the report based solely upon the record considered by the QR Consultant and QR Committee, as per paragraph (b). When the evidence of record that the report is substandard is considered, the Board will consider all relevant facts. Should the facts show convincingly that the report is substandard, the Board will consider the report substandard. If the evidence of record is equally balanced, or the Board cannot find that the facts are convincing, the Board shall determine that the report is not substandard. Should the Board find that the report is substandard, it may require appropriate action by the licensee that is designed to assure that the licensee's professional services are performed consistent with applicable

professional standards as provided under these procedures.

(G) Following any first substandard classification of the report that becomes final prior to appeal to the Board, the licensee will be requested to obtain the 16 ours of CPE as stated in paragraph 14.9(c)(1)(B) above. Upon request of the licensee, or should the licensee not agree to obtain CPE described above, fail to complete said CPE, or fail to timely deliver satisfactory documentation thereof to the Board, the Board shall conduct a hearing to determine whether the licensee has failed to comply with the Code of Professional Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq. and, if so, the necessary corrective action to be taken to improve the quality of the licensee's reports or to otherwise protect the public interest.

(2) Second consecutive substandard report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of a second substandard classification stating whether he agrees or disagrees with that classification.

(B) If he agrees with the classification, the licensee will be requested to submit all of the types of reports classified as substandard to a licensee approved by the Board for pre-issuance review pursuant to the Board's current Pre-Issuance Review Procedures that shall be provided to the licensee.

(C) If the licensee disagrees with the substandard classification, he will be instructed to file notice including an explanation of his objection to the classification, citation to applicable professional standards, and any relevant documentation supporting his position for reconsideration by QR Consultant. The provisions set forth in subparagraph 14.9(c)(1)(D-G) for reconsideration by the QR Consultant, for review by the QR Committee and appeal to the Board are also applicable to second consecutive substandard reports.

(D) Upon appeal, should the Board find that the report is substandard, it may require that the licensee take action deemed appropriate by the Board to assure the licensee's professional services are performed consistent with applicable professional standards or to otherwise protect the public interest.

(E) If at any stage of the QR procedure in this subparagraph 14.9(c)(2) pertaining to second consecutive substandard reports, the licensee fails to respond to the notice of the classification of the report as substandard in the original review or upon reconsideration by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to find whether the licensee's report is substandard and whether the Board shall require the licensee to obtain pre-issuance review and subsequent QR pursuant to the Board's current Pre-Issuance Review Procedures or take other action appropriate to protect the public interest.

(3) Third consecutive substandard report.

(A) Within 30 days the licensee shall respond in writing to the Board's notification of third substandard classification stating whether he agrees or disagrees with that classification.

(B) If the licensee agrees with the classification, the Board will determine whether to conduct a hearing to consider whether the licensee's report violates the Board's Code of Professional Conduct and the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq.

(C) If the licensee disagrees with the substandard classification, he will be instructed to file notice including an explanation of the objection to the classification, citation to applicable professional standards and any relevant documentation supporting his position for consideration by QR Consultant.

(D) The procedure set forth in subparagraph 14.9(c)(1)(D-G) for reconsideration by the QR Consultant, for review by the QR Committee and appeal to the Board are also applicable to third consecutive substandard reports.

(E) Upon appeal, should the Board find that the report is in violation of the Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., it may take appropriate action to protect the public interest.

(F) If at any stage of the QR procedure in this paragraph 14.9(c)(3), the licensee fails to respond to the notice of the classification of the report as substandard in the original review or upon review by the QR Consultant or review by the QR Committee, the Board will determine whether to schedule a hearing to determine whether the licensee has violated the Board's Code of Professional Conduct or the Public Accountancy Act of 1975, Ark. Code Ann. § 17-12-101 et seq., and the appropriate action to be taken as a result of the violations found.

(G) Consent orders. At any stage in the QR process, when a licensee will agree not to perform any further reports that have been classified as substandard or to other appropriate action to protect the public interest, the Board may resolve the controversy by an appropriate Consent Order.

#### 14.10 PRE-ISSUANCE REVIEW PROCEDURES

(a) Pre-Issuance Reviewer (Reviewer) shall be a CPA or PA currently holding an Arkansas license to practice public accountancy, who has undergone quality or peer review within the past 3 years with reports thereon determined to be acceptable pursuant to Rule 14.3(d), and approved by the Board prior to performing pre-issuance reviews for the subject Accountant (Respondent). Prior to performing any pre-issuance review services, the Reviewer shall deliver a written confirmation to the Board to provide pre-issuance review of each financial statement or related attestation report (cumulatively "Report") prepared by the subject respondent for the period of the engagement. The Respondent whose Reports are being reviewed shall be solely responsible for any expense for the pre-issuance review.

(b) Reviewer shall review, prior to release to Respondent's client, each Report as identified above to determine compliance with professional standards identified in Board Rule 8 or otherwise applicable to the particular type of Report and shall authorize the release of a Report only after making a written determination that the Report complies with said standards. In the event a submitted Report does not comply with said standards, the reviewer shall provide written comments or instructions for the Respondent to revise the Report in compliance with applicable professional standards.

(c) Reviewer shall maintain a pre-issuance review file on each Report review performed. The file shall contain each original Report submitted to reviewer, the reviewer's written comments or instructions in any form regarding necessary revisions for the Report to comply with professional standards, any revised Report(s) and the Report approved for release to the client. Reports reviewed and found acceptable with no change shall be clearly noted on the file Report, "Accepted-No Change Required".

(d) Reviewer shall maintain the pre-issuance review files for a minimum of five years after each pre-issuance review engagement is completed and shall make said records available to the Board upon request.

(e) Reviewer shall submit a written report to the Arkansas Board of Public Accountancy every ninety (90) days following the date of the Reviewer's confirmation to the Board. The report shall contain a summary of the number and type of Reports reviewed, number of Reports with no change required, and number of Reports requiring amendment. For Reports requiring change, a copy of each original Report submitted by Licensee, Reviewer notations, and/or comment sheet(s) and the revised and approved Report(s) must accompany the report.

(f) Reviewer may recommend in writing with accompanying supporting documentation that the Respondent be released from continuing pre-issuance review. Should the Board determine that the Respondent appears to have demonstrated an ability to issue Reports in compliance with applicable professional standards without the necessity of continuing pre-issuance review, it shall terminate the pre-issuance review, but may require the Respondent to participate in annual quality review for a specific or indefinite term.

#### 14.11 PEER REVIEWER STANDARDS

(a) In order to qualify to perform peer review for the exemption from Quality Review requirements of 14.3, an individual licensee must have the applicable qualifications for reviewers set forth in Rules 14.4, or supervisors set forth in Rules 14.5, except 14.5(f) for

team captains.

(b) An individual peer reviewer not licensed or registered in Arkansas under Ark. Code Ann. § 17-12-301 et seq., shall register with the Board pursuant to Ark. Code Ann § 17-12-311.

(c) The individual CPA or PA and firm shall register with the Board and obtain documentation of Board approval of the peer review registration prior to performing peer review services in Arkansas.



## **Rule 16      EXPERIENCE REQUIRED**

The experience required to be demonstrated for issuance of an initial certificate pursuant to A.C.A. §\_17-12-308~~9~~ shall meet the requirements of this rule:

(a) Experience ~~may consist of~~ shall include providing any type of services or advice using involving the use of accounting, attest, management advisory, financial advisory, tax or consulting skills.

(b) The applicant shall have their experience verified to, and on a form approved by, the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.

(C) One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in (a) above.